

ADDITIONAL BACKGROUND MATERIAL RELATING TO QUESTIONS POSED BY THE
DIRECTOR

- (1) Is this a practical program from an economic point of view?
- (2) What likely effect on production, on exports?

It is, of course, impossible to separate the communes out from the various programs which go into making up the "giant leap forward." They simply form one aspect of the organizational and ~~admini~~ administrative framework within which these programs will be carried out. Their greatest impact is likely to be in the sociological rather than the economic sphere.

The communes will enable the regime to make a more efficient disposition of the rural labor force and to accumulate in one place in rural areas larger capital investment funds. Thus the regime will be able to undertake larger and more ambitious rural construction programs than under the collective system. It is too early to tell just how the communes will affect peasant production incentives, but it is at least possible that the anti-family and repressive aspects of the program may eventually depress them. Such a result might be hastened by the tremendous demands for intensive labor inherent in all the regime's economic programs. Even Peiping has admitted that the Chinese people have been worked too hard this year.

Production in China is likely, however, to continue to rise over the next few years. The nation's capability to export

will also rise. And the magnitude of Chinese production is such that its entrance into, say, the rice ~~export~~^{export} market could have a shattering effect on other exporting countries.

Peiping's decision to form communes is based on practical considerations of the long-range needs of a Communist society and the current situation in China. Successful implementation of the program will insure total control of the populace--a necessary condition for the perpetuation of a totalitarian state. In introducing the commune system, Peiping took advantage of the submissive peasant attitude resulting from the tough rectification and anti-rightist campaigns and the bumper harvests of 1958 which enable the regime to sugar-coat the hard pill of communal living.

(3) What likely effect on political stability?

Successful implementation of the program--even if total communalization is not achieved--will greatly enhanceⁿ the political power of the regime and its position in both Bloc and world affairs. The top leadership seems flexible enough to change the line and thus avoid a setback should the program fail or be only partially realized. The regime has a good chance of increasing its control over the people even from a partially successful effort.

(4) What effects on Asian attitudes?

Asian leaders are most likely to be both frightened and impressed by the commune development and to be less attracted to Peiping. Some indication of this can be seen in the present

and increasing coolness of South and Southeast Asian countries toward China resulting in large measure from hard-line Chinese policies on Hungary, rectification, and the destruction of traditional society. The Chinese example may tend to scare away Asians from Communism in general.

(5) What effects on Sino-Soviet relations?

A serious ideological struggle between Peiping and Moscow seems unlikely; Peiping has already backed down on claims in the face of Soviet disapproval. Peiping, however, is likely to push the Soviets to speed up their own development and status in order to permit the Chinese to move ahead more rapidly. The Soviets must be concerned about the growth of a great power on Russian borders, but probably count on superiority in science and technology to preserve the balance in their favor for some time to come.

(6) What effect on the Satellites?

5 The East Europeans are probably scared of the Chinese ideas of what a Communist society should be like. At the same time, they must realize--theoretical statements to the contrary--that the Chinese Communists are thinking and moving ahead of the Soviets in some areas. The Satellite leadership will probably prefer in such situations to move closer to Moscow.